S. H. KRESS & COMPANY

BOSTON PUBLIC LIBRARY
KRESS INFORMATION SERVICE
CORPORATE FILE

Kress Store
West Palm Beach, Florida

MRB
Corp. File

Annual Report - 1950

THE KRESS STORE, WEST PALM BEACH, FLORIDA

The first Kress store in the state of Florida was opened in Jacksonville on June 30, 1900, almost 51 years ago. Since that time 13 additional stores have been opened in various cities in the state.

The Kress store at West Palm Beach, which is shown on the front cover of this report, was opened for business on March 18, 1950. Completely modern in every respect, this store was designed to provide our customers with the best shopping facilities available. The West Palm Beach store is air conditioned and, in addition to the usual facilities, contains a large and fully equipped Soda and Lunch Department.

S. H. KRESS & COMPANY

BUYING-EXECUTIVE OFFICES

114 FIFTH AVENUE, NEW YORK 11, N. Y.

OFFICERS

S. H. KRESS	Chairman of the Board
R. H. KRESS	Vice-Chairman of the Board
O. N. BIRKLAND	President
H. S. DAVIS	Vice-President
C. G. TRAMMELL	Vice-President
R. F. GARRITSON	Vice-President
E. F. SIBBERT	Vice-President
C. M. FUNK	Vice-President and Treasurer
O. V. W. HAWKINS	Secretary
A. J. OEHLER	Controller
W. M. WEAVER	Assistant Treasurer
W. F. DEMPSEY	Assistant Secretary
A. F. GUERBER	Assistant Secretary
D. C. WELLS	Assistant Controller
C. M. SKADE	Assistant Controller

DIRECTORS

S. H. KRESS	H. S. BOWERS	J. M. HANCOCK
R. H. KRESS	H. S. DAVIS	O. V. W. HAWKINS
O. N. BIRKLAND		H. L. SPENCER

General Counsel: DUER, STRONG & WHITEHEAD, New York, N. Y.

Transfer Agent: BANKERS TRUST COMPANY, New York, N. Y.

Registrar: CHEMICAL BANK & TRUST COMPANY, New York, N. Y.

OPERATIONS AT A GLANCE

		Amount 1950	Cents per Dollar 1950	1949
WE RECEIVED:				
From sales to customers		$161,657,149	99.3	99.6
From others for rental of property, interest, etc.		505,005	.3	.4
Non-recurring adjustment of Federal taxes for prior years		700,000	.4	—
Total amount received		$162,862,154	100.	100.
WE PAID OUT:				
For merchandise, rent and operating expenses other than taxes, wages and salaries and employe benefits		$107,976,463	66.3	69.8
Taxes paid to Federal, state, county, and municipal governments (not including taxes paid by the Company for Social Security)		11,576,609	7.1	5.3
Wages and salaries and other employe benefits paid to:				
All employes other than officers	$29,317,974			
Officers	521,674			
Retirement pension and group life insurance contributions	589,984			
Social Security taxes	832,809			
Total		31,262,441	19.2	18.8
Dividends paid to stockholders		7,055,022	4.3	4.3
Total paid out		$157,870,535	96.9	98.2
BALANCE:				
Earnings from normal operations retained in the business and non-recurring adjustment of Federal taxes for prior years		$ 4,991,619	3.1	1.8

S. H. KRESS & COMPANY

February 13, 1951

To the Stockholders of S. H. Kress & Company:

THE ANNUAL REPORT of our Company for the year ended December 31, 1950, including comparative statement of earnings and financial condition, certified by Messrs. Price Waterhouse & Co., independent public accountants appointed by the Board of Directors, is presented herewith.

SALES

Total sales for the year were $161,657,149, which was $2,266,288 or 1.4% less than in 1949. The decline in sales was due to a large extent to the lower price levels which prevailed during the first six months of the year and to the decline in consumer demand in some areas, resulting from unsatisfactory crops or other local conditions. During the second half of the year the volume of sales showed an increase as compared with the same period of 1949.

EARNINGS

Net earnings for the year after deducting Federal taxes on income were $12,046,641 or $5.12 on each share of common stock outstanding, as compared with $10,048,204 or $4.27 for the previous year. The earnings for 1950 include a credit of $700,000, representing excess provision for Federal taxes for prior years. This non-recurring adjustment is equivalent to 30¢ per share.

DIVIDENDS

During 1950 dividends totalling $3.00 per share were paid on the common stock. This included an extra dividend of $1.00 per share.

WAGES AND SALARIES

In 1950 our Company paid $29,839,648 in wages and salaries to all employes, including officers and directors. While general wage levels throughout the country have continued to increase, the full impact of the higher rates paid has been offset in part by improved employe production.

Special payments made to employes during 1950 included the Christmas bonus and Length of Service Compensation, which amounted to a total of $483,320 as compared with $507,358 for the previous year.

Our Company also paid $589,984 for premiums on Group Life Insurance for its employes and for the maintenance of the Company's Employe Retirement Pension Plans. To encourage employes in the lower earnings brackets to apply for all benefits for which they may become eligible, the employe's contribution toward the cost of retirement pension benefits has been reduced to three per cent of the first $3,000 of earnings. Employes earning more than $3,000 yearly will continue to contribute at the present rate of six per cent of earnings in excess of that amount.

Company payments for Unemployment Insurance and Federal Old Age Benefits taxes amounted to $832,809 for 1950, as compared with $680,085 for 1949. The increase in the amount of these taxes was due principally to the higher Federal Old Age Benefits tax rate, which was increased from 1% to 1½%, effective January 1, 1950.

TAXES

Federal taxes on earnings for 1950 amounted to $8,900,000, compared with $6,100,000 in 1949. The increase in Federal taxes was due to improved profit margins before taxes and to the increase in the combined normal and surtax rate on corporate income from 38% to 45%, effective July 1, 1950. In addition, an excess profits tax of 30%, effective as of the same date, was adopted by Congress. The provision for the excess profits tax for 1950 amounts to $350,000, and is based on earnings in excess of 85% of the average earnings for 1946, 1947 and 1948, plus certain adjustments provided for in the Act.

All direct taxes paid by the Company, other than for Unemployment Insurance and Federal Old Age Benefits, amounted to $11,576,609.

The Company also collected excise and sales taxes amounting to $5,291,085, which were remitted to the proper Federal, state and municipal taxing authorities, as required by law.

Settlement of the Company's excess profits tax claims for the years 1941 to 1945 inclusive, was negotiated with the Treasury Department during the year and resulted in a net reduction of $717,277 in the Company's tax liability for those years. The Company's Federal income

tax returns for all years through 1947 have now been audited by the Treasury Department and settled.

STOCK OWNERSHIP

On December 31, 1950 the common stock of our Company was owned by 8,665 shareholders, as compared with 8,852 shareholders on December 31, 1949. At the end of 1950 a total of 1,053 employes owned common stock of the Company.

INVENTORY

On December 31, 1950 inventories of merchandise on hand and in transit amounted to $32,064,210 compared with $24,787,162 at the end of 1949. A considerable part of the increase in inventories was due to the increase in prices during the latter part of the year.

To conform to the established practice of the Company, inventories were valued at cost or market, whichever was lower.

NEW STORES – FUTURE EXPANSION

During 1950 new stores were opened in the following cities:

WEST PALM BEACH, FLA.
GREENWOOD, S. C.
UNIVERSITY WAY, SEATTLE, WASH.

There were 259 stores in operation at the end of the year, compared with 256 at the end of 1949. Expenditures for land, buildings, and fixtures and equipment purchased in 1950 amounted to $5,488,709.

During the year a new store was opened in Santa Monica, Calif. to replace a store previously operated in that city. Stores at Prichard, Ala., Sarasota, Fla., and Pike Street, Seattle, Wash., were enlarged during the year. Soda and Lunch Departments at the Tulsa, Okla., Denver, Colo. and Pueblo, Colo. stores were completely remodelled.

Work on the Main Street, Houston, Texas store, which is being constructed in two sections, was in progress at the end of the year. Construction has started on a second store in Jackson, Miss. and on new and improved stores to replace existing stores in Glendale, Calif. and Huntington Park, Calif. Work has also started on the enlargement and modernization of our stores in Dothan, Ala., New Bern, N. C., West Jefferson Avenue, Dallas, Tex., and Fordham Road, New York City, N. Y.

In addition to the above, work is expected to start during 1951 on new stores at Orangeburg, S. C., Abilene, Tex., and Roswell, N. M., and on the enlargement and rehabilitation of 15 other stores during the year. It may be necessary to postpone some or all of this work because

of shortages of building materials and governmental restrictions on construction.

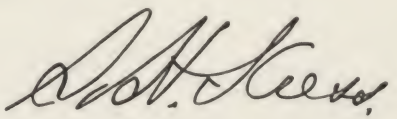
Future plans include the construction of 11 new stores at a later date, and the enlargement and modernization of 40 other stores. This part of the Company's construction program will, to a large extent, depend upon future developments.

PERSONNEL

The directors and the officers of our Company wish to acknowledge with sincere appreciation the wholehearted and sincere cooperation received from the many thousands of men and women associated with the Company. We particularly wish to acknowledge the contribution made by the 1,041 persons who have been associated with the Company 10 years or more and of the 165 persons who have been with the Company 25 years or more. We are confident that with the continued support of all our associates we can meet any challenge the future holds.

The outstanding cooperation received during the past year from manufacturers and suppliers of the products sold in our stores has been particularly gratifying. Many of these manufacturers and suppliers have been associated with our Company for a great many years and their willingness to cooperate in creating outstanding values for our customers has been a source of great satisfaction.

By order of the Board of Directors.



Chairman

S. H. KRESS & COMPANY

STATEMENT OF EARNINGS

	Year ending December 31, 1950	*1949*
GROSS SALES	$161,657,149	$163,923,437
RENTAL RECEIVED FROM TENANTS	425,504	425,103
INTEREST RECEIVED (NET), ETC.	79,501	165,774
	$162,162,154	$164,514,314
Deduct:		
Cost of merchandise sold and operating expenses	$139,120,499	$145,704,610
Provision for depreciation and amortization	2,236,228	2,161,026
Provision for employes' retirement pension plans	558,786	500,474
Provision for Federal taxes on income	8,900,000	6,100,000
	$150,815,513	$154,466,110
NET EARNINGS FROM OPERATIONS	$ 11,346,641	$ 10,048,204
Add:		
Excess provision for Federal taxes on income — prior years	700,000	—
NET EARNINGS FOR YEAR	$ 12,046,641	$ 10,048,204
Deduct:		
Dividends paid ($3.00 per share)	7,055,022	7,055,022
EARNINGS RETAINED FOR USE IN THE BUSINESS	$ 4,991,619	$ 2,993,182

STATEMENT OF FIN

ASSETS

	December 31, 1950	1949
CURRENT ASSETS:		
Cash	$ 14,535,428	$14,688,184
U. S. Government securities, at amortized cost (market value December 31, 1950—$10,044,500)	10,047,415	12,057,600
Sundry debtors	220,444	185,151
Inventories of merchandise, including merchandise in transit, at cost or market, whichever is lower	32,064,210	24,787,162
Total current assets	$ 56,867,497	$51,718,097
OTHER ASSETS:		
Loans and advances to landlords and miscellaneous notes receivable	$ 284,975	$ 176,982
Prepaid insurance premiums, rents, etc.	658,865	881,640
Total other assets	$ 943,840	$ 1,058,622
CAPITAL ASSETS:		
Fixtures and equipment, at cost	$ 18,860,888	$17,987,644
Less — Provision for depreciation	14,049,333	13,536,672
	$ 4,811,555	$ 4,450,972
Leasehold improvements, at cost	$ 19,600,857	$19,127,203
Less — Provision for amortization	10,067,149	9,641,292
	$ 9,533,708	$ 9,485,911
Land and buildings owned in fee, at cost in cash and capital stock	$ 46,834,859	$43,290,952
Less — Provision for depreciation	12,951,805	12,213,910
	$ 33,883,054	$31,077,042
Total capital assets	$ 48,228,317	$45,013,925
GOOD-WILL, LEASEHOLDS, ETC.	$ 1	$ 1
	$106,039,655	$97,790,645

ANCIAL CONDITION

LIABILITIES

	December 31, 1950	*1949*
CURRENT LIABILITIES:		
Accounts payable – trade creditors	$ 1,022,357	$ 581,952
Accounts payable – merchandise in transit	1,836,469	1,025,729
Accrued salaries, expenses, taxes, etc., including taxes withheld	5,941,788	5,846,049
Federal taxes on income	9,101,865	7,191,358
Total current liabilities	$ 17,902,479	$14,645,088
CAPITAL:		
Capital stock:		
Special preferred stock – 6% cumulative –		
Authorized – 1,000,000 shares of $10 each		
All issued shares reacquired for treasury		
Common stock without par value –		
Authorized – 2,678,787 shares		
Issued – 2,357,574 shares	$ 48,511,253	$48,511,253
Accumulated earnings retained for use in the business	$ 39,744,440	$34,752,821
Less – Cost of 5,900 shares of common stock reacquired	118,517	118,517
	$ 39,625,923	$34,634,304
Total capital stock and accumulated earnings	$ 88,137,176	$83,145,557

NOTE:
At December 31, 1950 the Company was obligated under 143 leases expiring after December 31, 1953, some of which require, in addition to the minimum rentals now being paid, payments of additional rentals based on sales, and payments of real estate taxes, maintenance and insurance. The aggregate amount charged against operations for the year 1950 under all leases was $2,818,664.

$106,039,655	$97,790,645

ACCOUNTANTS' REPORT

PRICE WATERHOUSE & CO.
56 PINE STREET, NEW YORK 5

February 6, 1951

To the Stockholders of S. H. Kress & Company:

We have examined the statement of financial condition of S. H. Kress & Company as of December 31, 1950 and the related statement of earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of S. H. Kress & Company at December 31, 1950, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

TEN YEAR
COMPARATIVE RECORD OF
SALES, EARNINGS, AND DIVIDENDS

YEAR	NO. OF STORES	SALES	EARNINGS BEFORE FEDERAL TAXES ON INCOME	FEDERAL TAXES ON INCOME	NET EARNINGS AFTER FEDERAL TAXES ON INCOME	NET EARNINGS PER SHARE OF COMMON STOCK	DIVIDENDS PAID PER SHARE	
							COMMON	PREFERRED
1941	242	$101,396,512	$10,043,211	$ 4,920,000	$ 5,123,211	$1.97	$1.60	$ .67½
1942	244	116,958,589	15,955,862	10,517,000	5,438,862	2.13	1.60	.60
1943	244	124,021,970	17,118,585	11,600,000	5,518,585	2.16	1.60	.60
1944	243	127,955,060	20,034,632	14,300,000	5,734,632	2.25	1.60	.60
1945	244	126,038,945	16,687,280	11,675,000	5,012,280	2.13	1.60	(a)
1946	242	150,926,508	20,785,531	8,000,000	12,785,531	5.44	4.20	—
1947	243	155,359,900	20,572,077	7,900,000	12,672,077	5.39	3.50	—
1948	250	165,366,617	20,638,578	7,800,000	12,838,578	5.46	4.25	—
1949	256	163,923,437	16,148,204	6,100,000	10,048,204	4.27	3.00	—
1950	259	161,657,149	20,946,641(b)	8,900,000	12,046,641(b)	5.12(b)	3.00	—

(a) All issued shares of 6% Special Preferred Stock reacquired in December 1944.

(b) Includes restoration of excess provision for Federal taxes on income for prior years amounting to $700,000 or 30¢ per share.

KRESS STORES

ALABAMA (13)
Anniston
Bessemer
Birmingham
Dothan
Ensley
Gadsden
Huntsville
Mobile
Montgomery
No. Birmingham
Prichard
Selma
Tuscaloosa

ARIZONA (5)
Douglas
Nogales
Phoenix
Tucson
Yuma

ARKANSAS (6)
Blytheville
Fort Smith
Helena
Hot Springs
Little Rock
Pine Bluff

CALIFORNIA (44)
Alhambra
Anaheim
Bakersfield
Berkeley
Calexico
El Centro
Eureka
Fresno
Glendale
Huntington Park
Inglewood
Long Beach
Los Angeles (12)
Modesto
Oakland
Pasadena
Pomona
Richmond
Riverside
Sacramento
Salinas
San Bernardino
San Diego
San Fernando
San Francisco (2)
San Jose
San Pedro
Santa Ana
Santa Barbara
Santa Monica
Santa Rosa
Stockton

COLORADO (7)
Boulder
Colorado Springs
Denver
Grand Junction
Greeley
Pueblo
Trinidad

FLORIDA (14)
Daytona Beach
Jacksonville (2)
Key West
Lakeland
Miami
Miami Beach
Orlando
Pensacola
St. Petersburg
Sarasota
Tampa
West Palm Beach
Ybor City

GEORGIA (14)
Albany
Americus
Athens
Atlanta (2)
Augusta
Brunswick
Columbus
La Grange
Macon
Rome
Savannah
Valdosta
Waycross

HAWAII (4)
Hilo
Honolulu
Lihue
Wailuku

IDAHO (3)
Boise
Idaho Falls
Pocatello

ILLINOIS (2)
Cairo
Rockford

KANSAS (13)
Arkansas City
Chanute
Coffeyville
Emporia
Fort Scott
Hutchinson
Independence
Iola
Lawrence
Parsons
Pittsburg
Salina
Wichita

KENTUCKY (3)
Ashland
Hopkinsville
Winchester

LOUISIANA (6)
Alexandria
Baton Rouge
Lake Charles
Monroe
New Orleans
Shreveport

MISSISSIPPI (8)
Biloxi
Greenville
Hattiesburg
Jackson
Laurel
Meridian
Natchez
Vicksburg

MISSOURI (6)
Carthage
Jefferson City
Moberly
Nevada
Trenton
Webb City

MONTANA (2)
Billings
Great Falls

NEW JERSEY (2)
East Orange
Summit

NEW MEXICO (1)
Albuquerque

NEW YORK (4)
New York City (4)

NORTH CAROLINA (13)
Asheville
Charlotte
Durham
Fayetteville
Gastonia
Goldsboro
Greensboro
High Point
New Bern
Rocky Mount
Salisbury
Wilmington
Winston-Salem

OHIO (1)
Youngstown

OKLAHOMA (15)
Ardmore
Bartlesville
Blackwell
Chickasha
Enid
Guthrie
Lawton
McAlester
Muskogee
Oklahoma City
Okmulgee
Ponca City
Sapulpa
Shawnee
Tulsa

OREGON (2)
Portland
Salem

PENNSYLVANIA (1)
Altoona

SOUTH CAROLINA (8)
Anderson
Charleston
Columbia
Florence
Greenwood
Greenville
Spartanburg
Sumter

TENNESSEE (10)
Bristol
Chattanooga
Elizabethton
Jackson
Johnson City
Kingsport
Knoxville
Memphis
Nashville (2)

TEXAS (36)
Amarillo
Austin
Baytown
Beaumont
Brownsville
Corpus Christi
Corsicana
Dallas (2)
Del Rio
Denison
Eagle Pass
El Paso
Fort Worth
Gainesville
Galveston
Greenville
Harlingen
Hillsboro
Houston (3)
Laredo
Longview
Lubbock
Paris
Port Arthur
San Angelo
San Antonio (2)
Sherman
Texarkana
Tyler
Waco
Waxahachie
Wichita Falls

UTAH (3)
Ogden
Provo
Salt Lake City

VIRGINIA (1)
Roanoke

WASHINGTON (12)
Aberdeen
Bellingham
Bremerton
Everett
Seattle (4)
Spokane
Tacoma
Wenatchee
Yakima

TOTAL – 259 STORES IN 29 STATES AND THE TERRITORY OF HAWAII

PRINTED IN U.S.A.